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PROGRAM The Today Show STATION WRC-TV
NBC Network

DATE October 9, 1987 7:15 A.M. CITY Washington, D.C.

SUBJECT Bob Woodward Interviewed, Part Two

BRYANT GUMBEL: Bob Woodward, celebrated Assistant Managing Editor of the Washington Post, joins us again this morning. In his new book, "Veil: The Secret Wars of the CIA," Woodward paints a portrait of the late CIA Director William Casey that is not entirely unsympathetic. We focused on Casey's character on Thursday. As we welcome Bob back today, we'd like to examine the role Casey's off-the-books operations played in White House policy and how those actions have again left the CIA in need of repair, and perhaps reassessment.

Good morning.

Let's first talk about what's happened in the Gulf. I mean is part of what we're seeing played out there in increasing hostilities, is that part of the legacy of Bill Casey?

WOODWARD: I think indeed it is. And one of the things Casey did in this off-the-books style is bribe terrorist groups. We then tried to bribe Iran with arms. And now we're trying to discipline Iran. And I think we're really seeing the fruits of the inconsistency of that policy.

GUMBEL: I was going to say, the problem is more the inconsistency than the policy itself.

WOODWARD: Sure. If you're in Iran, I mean one minute the United States is saying, "We love you. We want to sell arms. We want to bribe you." And the next moment we're out shooting at them.

GUMBEL: How is it Bill Casey got such a hand in policymaking in the Reagan White House?

WOODWARD: He was one of these genius strategic thinkers, I believe. And I think the book demonstrates that. He was able to outflank the Secretary of Defense and the Secretary of State. There was a vacuum there. We didn't want to really negotiate seriously. We didn't want to go to war. Casey stepped in with his covert action.

GUMBEL: He had a lousy relationship with George Shultz. What kind of a relationship did he have with Caspar Weinberger?

WOODWARD: Well, he had up and down relationships with both, in fact. I think at the end Shultz really came to loathe Casey because he saw that Casey became the shadow Secretary of State.

GUMBEL: It was clear that he operated beyond the bounds of the system of checks and balances that had been set up. Was the President apprised constantly of what Bill Casey was about? Or was that too a secret?

WOODWARD: Well, certainly the President was in charge and has to bear a lot of responsibility for this. But as we talked about yesterday, they were soulmates. And I think the President gave Casey the account and said, "Handle the business."

The problem is that Casey did something tragically wrong. He regularly broke the rules and the law.

GUMBEL: In light of the revelations of your book, a lot of legislators are justifiably concerned about how many more off-the-books operations are out there. I saw where Senator David Boren said, "We think we've got a handle on them."

What do you think?

WOODWARD: Well, a very good source I have last week called me after the book was out, somebody who knows heads of state in the Middle East, the foreign intelligence services. This was a very late-night phone call, and he chuckled when he got on the phone and he said, "You only got five percent."

GUMBEL: Only five percent of what, of all the things Casey did, or all the off-the-books operations, or all the problems that are out there? What?

WOODWARD: I think of everything. Now, whether it's five percent or ten percent, I always think there's a lot we don't know.

Casey operated on so many levels with so many people, traveled all over the world, could work deals with these foreign

leaders or heads of intelligence services just by going for a walk in the garden and saying, "Hey, look. We can't do this. You take care of it."

GUMBEL: So as William Webster takes charge, does he even have the potential to get hold of those off-the-books operations?

WOODWARD: Well, he's a very different man and somebody who has come from being a judge, head of the FBI, believes in the law, believes that we conduct -- that this country can conduct intelligence operations within our principles, our values, and within the law.

GUMBEL: Is it possible -- I mean that raises the question. I mean is it possible to run an intelligence operation effectively and still have it be both moral and legal, as defined by a democracy?

WOODWARD: The new CIA Director, Webster, says yes, we can do that. There's a whole apparatus in place from the '70s that's been put in to say, okay, the Congress will monitor. The President will sign intelligence orders, called findings, saying specifically what can be done and what cannot be done.

GUMBEL: A final quick note. So far, you've taken on a President, a cult hero, the Supreme Court, and a CIA Director. What's next for you?

WOODWARD: Well, I don't know. Maybe television.

GUMBEL: Oh, my goodness.

Twenty-two past the hour.

Bob Woodward, thanks. Congratulations again.